



Arnold Schwarzenegger
Governor

August 20, 2010
22:430:txl:1113:1128

Ms. Lynn Pimentel, Executive Director
WestCare California, Inc.
4944 E. Clinton Way, #101
Fresno, CA 93727

Dear Ms. Pimentel:

WORKFORCE INVESTMENT ACT
15-PERCENT / 25-PERCENT PROJECT REVIEW
FINAL MONITORING REPORT
PROGRAM YEAR 2009-10

This is to inform you of the results of our review for Program Year (PY) 2009-10 of the Westcare California's (WC) administration of its Workforce Investment Act (WIA) 15-Percent and 25-Percent Veterans Employment-Related Assistance Program (VEAP) Project, Subgrant Number R973191. Mr. Tom Liu and Ms. Ashna Singh conducted this review from May 10, 2010 through May 13, 2010. For the program operations portion of the review, we focused primarily on the areas of program administration, participant eligibility, WIA activities, monitoring, if applicable, and management information system/reporting. For the financial management portion of the review, we focused primarily on the areas of accounting systems, expenditures, allowable costs, cost allocation, reporting, cost pools, indirect costs, cash management, internal controls, program and interest income, single audit, if applicable, and property management. For the procurement portion of the review, we focused on procurement competition, cost and price analyses, and contract provisions.

We conducted our review under the authority of Sections 667.400(c) and 667.410(b)(1)(2)(3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by the WC with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding program operations, financial management, and procurement.

We collected the information for this report through interviews with WC representatives and WIA participants. In addition, this report includes the results of our review of sampled case files for participants enrolled in the WIA VEAP Project; a review of the WC's response to Sections I and II of the Program Onsite Monitoring Guide; applicable

policies and procedures; and a review of documentation retained by WC for a sample of expenditures and procurements.

We received your response to our draft report on July 23, 2010, and reviewed your comments and documentation before finalizing this report. Because your response adequately addressed finding 1 cited in the draft report, no further action is required and we consider the issue resolved. Because your response did not adequately address finding 2 cited in the draft report, we consider this finding unresolved. We request that WC provide the Compliance Review Office a corrective action plan (CAP) to resolve the issue that led to the finding. Therefore, this finding remains open and has been assigned Corrective Action Tracking System (CATS) number 10098.

BACKGROUND

The WC was awarded \$249,502 in WIA 15-Percent funds and \$249,502 in WIA 25-Percent funds to operate a WIA VEAP Project and serve 100 WIA 15-Percent and 25-Percent participants from January 1, 2009 through June 30, 2010.

For the month ending March 31, 2010, the WC reported that it spent \$199,798.66 of its 15-Percent funds and \$204,122.60 of its 25-Percent funds and enrolled 96 WIA 15-Percent and 25-Percent participants. We reviewed case files for 30 of the 96 15-Percent and 25-Percent participants enrolled in the WIA project as of May 10, 2010.

PROGRAM REVIEW RESULTS

While we concluded that, overall, the WC is meeting applicable WIA requirements concerning grant program administration, we noted an instance of noncompliance in the area of incident reporting. The finding that we identified in this area, our recommendation, and WC's proposed resolution of the finding is specified below.

FINDING 1

Requirement:

20 CFR Section 667.630 states, in part, that information and complaints involving criminal fraud, waste, abuse or other criminal activity must be reported immediately through the Department's Incident Reporting System to the Department of Labor's (DOL) Office of Inspector General (OIG) with a copy simultaneously provided to the Employment and Training Administration (ETA).

WIA Directive (WIAD) 02-3 states, in part, that each subrecipient shall establish appropriate internal program

management procedures to prevent and detect fraud, abuse, and criminal activity. These procedures must include a reporting process to ensure that OIG and the Compliance Review Office (CRO) are notified immediately of any allegations of WIA-related fraud, abuse, or criminal activity. Internal management procedures must be in writing and include the designation of a person on the subrecipients' staff who will be responsible for such notifications.

Observation:

We observed that WC's written incident reporting policy does not have policies and procedures related to preventing and detecting fraud, waste, abuse, or other criminal activity. Furthermore, it does not indicate a reporting process to ensure that OIG and CRO are notified immediately of any allegations of WIA-related fraud, abuse, or criminal activity.

Recommendation:

We recommended that WC revise their incident reporting policy to include procedures related to preventing and detecting fraud, waste, abuse, or other criminal activity which needs to include a reporting process to ensure that OIG and CRO are notified immediately of any allegations of WIA-related fraud, abuse, or criminal activity as outlined in the above requirements.

WC Response:

The WC provided a copy of its WIA Program Protocol which was developed to further adhere to WIAD02-3, including the proper steps for incident reporting. This document contains procedures related to preventing and detecting fraud, waste, abuse, or other criminal activity involving WIA funds. It also includes a reporting process to ensure that OIG and CRO are notified within one workday of any allegations of WIA-related fraud, abuse, or criminal activity as outlined in the above requirements.

State Conclusion:

We consider this finding resolved.

FINANCIAL MANAGEMENT REVIEW RESULTS

We concluded that, overall WC is meeting applicable WIA requirements concerning financial management.

PROCUREMENT REVIEW RESULTS

While we concluded that, overall, WC is meeting applicable WIA requirements concerning procurement, we noted an instance of noncompliance in the area of cost or price analysis. The finding that we identified in this area, our recommendation, and the WC's proposed resolution of the finding is specified below.

FINDING 2

Requirement:

29 CFR Section 95.45 states, in part, that some form of cost or price analysis shall be made and documented in the procurement files in connection with every procurement action.

WIAD00-2 states, in part, that recipients must have written procedures that include selection procedures for procurement transactions, and requirements for a price or cost analysis.

Observation:

We observed that WC did not perform a cost or price analysis prior to the purchases of a computer in the amount of \$984.20 and projector in the amount of \$859.90 from Dell, furniture for an office in the amount of \$1,985 from D.L. Business Systems, Inc., and a video conferencing device in the amount of \$2,933.23 from Tech Depot. WC staff stated that they have always ordered from these vendors and did not know that they had to perform a cost or price analysis on every procurement action.

Additionally, we observed that WC's procurement policies located within its Finance Policies and Procedures Manual did not contain the specific written procedures specified above.

Recommendation:

We recommended that WC provide CRO with a CAP indicating how it will ensure, in the future, that a cost or price analysis is completed for all procurement transactions. We also recommended that WC revise its procurement policies and procedures to include the requirements identified above.

WC Response:

The WC provided a copy of its policy and procedure relating to Competitive Bids which states, in part, that WC requires bids be obtained for all applicable purchases that exceed

WC's minimum competitive sourcing purchasing threshold. It further states that it is the policy of WC that formal bids shall be obtained prior to the procurement of goods or services with a unit value over \$10,000.

State Conclusion:

Based on WC's response, we cannot resolve this issue at this time. These were the same policy and procedure reviewed during the onsite visit. Although the WC's policy and procedure stated that competitive bids will be obtained for goods and services over \$10,000, we found no policy and procedure that address the procurement of goods and services under \$10,000. For example, WC did not perform a cost or price analysis or obtain competitive bids (or quotes) for any of the four items identified above. Therefore, we again recommend that WC provide CRO a CAP indicating how it will ensure, in the future, that a cost or price analysis is completed for all procurement transactions. We also recommend that WC revise its procurement policies and procedures to address procurement of goods and services under \$10,000 and provide a copy to CRO. Until then, this issue remains open and has been assigned CATS number 10098.

In addition to the findings above, we identified a condition that, while not a finding, is an issue that we thought we should bring to your attention because it may become a compliance issue if not addressed. Specifically, we observed that WC failed to properly authorize an expense payment to Best Uniforms for training equipment. We suggested that WC ensure that all funds spent in the future will be properly authorized before submitting it for payment. The WC did not provide a response to address this condition.

We provide you up to 20 working days after receipt of this report to submit to the Compliance Review Office your response to this report. Because we faxed a copy of this report to your office on the date indicated above, we request your response no later than September 20, 2010. Please submit your response to the following address:

Compliance Monitoring Section
Compliance Review Office
722 Capitol Mall, MIC 22M
P.O. Box 826880
Sacramento, CA 94280-0001

In addition to mailing your response, you may also FAX it to the Compliance Monitoring Section at (916) 654-6096.

Ms. Lynn Pimentel

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August 20, 2010

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. As you know, it is WC's responsibility to ensure that its systems, programs, and related activities comply with the WIA, related Federal regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain WC's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Ms. Cynthia Parsell at (916) 654-1292.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jessie Mar".

JESSIE MAR, Chief
Compliance Monitoring Section
Compliance Review Office

cc: David Davis, MIC 50
Maurice Lee, Sr. Vice President
Kimberlee Meyer, MIC 50